

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12
NSAE-00 PA-01 SS-15 SP-02 ICA-11 TRSE-00 NSC-05
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C O N F I D E N T I A L OTTAWA 02279

E.O. 11652: GDS
TAGS: NATO, MPOL, CA
SUBJECT: GOC DEFENSE SPENDING

REF: OTTAWA 2200

1. IN MY MAY 3 CONVERSATION WITH GOLDSCHLAG (EXTAFF) AND BLACK (DND), I ASKED WHETHER THERE WAS ANY RELATIONSHIP BETWEEN CANADIAN APPROACH TO LTDP AND MOST RECENT DEFENSE BUDGET WHICH REVEALED GOC WOULD FAIL TO MEET EITHER 12 PERCENT CAPITAL EXPENDITURE OR 3 PERCENT NATO GOALS.

2. IN DENYING ANY SUCH RELATIONSHIP, BLACK INDICATED THAT DND HAD CONCLUDED THAT IT COULD NOT USEFULLY EXPEND TWO SEGMENTS OF \$25 MILLION AND \$60 MILLION OF ITS CURRENT BUDGET AND THAT IT HAD AGREED TO RETURN THESE AMOUNTS TO THE TREASURY TO HELP SOLVE A SHORT-TERM BUDGETARY PROBLEM OF THE GOVERNMENT. THIS ARRANGEMENT WAS BASED ON ASSURANCES THAT THIS AMOUNT OF \$85 MILLION WOULD BE RESTORED IN A SUBSEQUENT DEFENSE BUDGET WHEN IT COULD BE USED TO HELP MEET "FRONT-END
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LOADING" NEEDS FOR PURCHASE OF NEW FIGHTER AIRCRAFT. (GENERAL WITHERS USED THE FIGURE OF ONLY \$60 MILLION IN DISCUSSING THIS MATTER RECENTLY WITH THE DCM.)

3. AS FOR 3 PERCENT NATO GOAL, BLACK ASSERTED THAT, IF PENSIONS AND OTHER (UNSPECIFIED) NON-CAPITAL COSTS WERE SET ASIDE, AS DOD DOES FOR THIS PURPOSE, GOC WOULD

MEET THIS GOAL OVER FIVE-YEAR PERIOD. IT WOULD AVERAGE, HE SAID, AROUND 3.3 OR 3.5 PERCENT. HE ADMITTED THAT THIS WOULD NOT BE THE CASE IF NATO FORMULA, WHICH INCLUDES SUCH NON-CAPITAL COSTS, WAS USED FOR CALCULATING DEFENSE SPENDING.

4. IT WAS CLEAR THAT BLACK WAS UNCERTAIN ABOUT ALL THESE FIGURES, AND WE AGREED TO HAVE JOHN ANDERSON, CHIEF OF POLICY PLANNING IN DND, AND A REPRESENTATIVE OF THE EMBASSY GET TOGETHER SHORTLY TO REVIEW THIS SUBJECT IN DETAIL.
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Message Attributes

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